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SUBJECT: BOEING PRESENTS "AGGRESSIVE" FINAL OFFER TO ROYAL
JORDANIAN

11. (SBU) Summary. The Boeing Company, which has been in negotiations with Jordanian national carrier Royal Jordanian Airlines (RJ) for the purchase and leasing short-haul aircraft in competition with Airbus, presented its final offer to the airline September 19. The offer marks the climactic stage after over a year of negotiations. Boeing officials were cautiously optimistic, but concerned that Airbus may yet attempt to undercut the deal. End Summary.

IT'S NOT OVER TILL IT'S OVER

12. (SBU) Boeing's negotiating team of Samir Hanna, Senior Sales Manager, Edward Schachle, Regional Director, and Peter Ledger, local Boeing representative presented what it termed its final offer to RJ CEO Samer Majali September 19. The deal features the sale of five 737s and the leasing of another four of the aircraft. Airbus, which recently leased four A-340s to RJ, is also in negotiation to sell a like number of A-320s.

13. (SBU) Characterizing the offer as "very aggressive", Boeing officials filled us in on the details September 19. The offer includes a discount of 39.9% off the "sticker" price, an advance payment schedule beginning at 20%, rather than the usual 30%, \$10 million to top off the resale price of RJ's existing A-320s, a spare parts exchange program worth \$3.2 million, and another \$3.4 million in training support, manuals, and manual revisions. All this in addition to the performance features of the 737 which make it "clearly superior" to the A-320.

14. (SBU) Expecting the RJ CEO to be a bit more enthusiastic upon receipt of the Boeing proposal, Hanna said "Majali was not displeased". He said the substance of the Boeing message was that the company was doing "everything it can" to work with RJ, and that this was the best deal they could offer. He stressed the company would not get into a price war with Airbus. Hanna said that the concessions they were making were "extremely special", on terms they generally do not offer to customers who buy 30 planes.

15. (SBU) Hanna said that both offers would now be considered by the RJ board, expected to meet sometime between now and the end of the month. Majali told the team a decision would be made the first week of October. He suggested there might be another round of negotiations, saying that it's "not over till it's over". Despite this, Hanna reiterated that this was their best offer. Hanna added that he thought Airbus would be very surprised at the aggressiveness of the Boeing deal.

FINANCING COULD BE A DEAL BREAKER

16. (SBU) Hanna said EXIM assistance could help nail down the deal. He said he suspected that Majali had already "got something from the French" on the financing side to help fund the purchase, and was seeking something similar from Boeing. He said that both the airline and the Jordanian government were adamant about not providing sovereign guarantees given RJ's status as a self-sustaining "corporatized" entity that is seeking a foreign investor partner.
GNEHM